BUSINESS RESOURCE CENTRE

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CONSIDERING IMPORTING?

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Bruce Bouchard
December 1990

*Certain words throughout this publication are **highlighted**. These words are defined in the Glossary of Terms found at the end of the publication.*

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INTRODUCTION

Are you interested in importing because you have heard stories of big profits? Are you attracted by the glamour of importing from an exotic foreign place? At first, there is excitement with importing but this can wear off quickly. Importing can be a successful venture but it is not easy, fast, or cheap. Patience, financial risk, and sometimes frustration are part of the process to realizing a gain from importing.

Companies and individuals must take the time to answer many questions before they begin to import. However, there are three important questions that cannot be overlooked.

1) Is there a market for the product?

2) Can I get the product that I need when I need it?

3) Can I meet the financial demands of the import venture?

Without a domestic market for the product, whether it is being sold directly to the consumer or used within a production process, the importing venture will fail.

Timely delivery of the product is as essential to the success of importing as meeting the financial demands of the venture. It is imperative that these factors are addressed.

This publication will address the need to answer questions about importing and provide the novice with an overview of what they must do if they want to start importing.

The first step in identifying if there is a domestic market for a product can be taken by answering the following questions: What is being imported and why? What is not being imported and why not? Looking at the reasons for the current state of imports will give you a solid footing for your own effort.

Vacationers often return to Manitoba with visions of importing products they have seen abroad. However, if a certain item is not being brought into Manitoba there may be a valid reason.

WHY IMPORT?

Successful importers start importing for the following reasons:

- They get the idea from seeing a product cheaper in another market.
- They discover a new product that does not exist in Canada.
- They discover an unfulfilled need.
- They require a raw materials for their current manufacturing process.

Raw materials, food (specialty and seasonal items), and specialty products make up a major proportion of imports.

Finding another product or getting a new import idea does not alone guarantee success. You need to formalize your ideas and then determine if they are feasible.

RECOGNIZE THE RISKS

There are many risks involved with importing including:

1) Foreign exchange fluctuations: This has a major impact on profit unless you protect yourself by **hedging** currency at a bank, or making the sales agreement in your home currency. Any fluctuations would then concern the supplier.

2) Tariff changes: Changes in the classification of goods or application of new duty rate can occur suddenly.

3) Change in expected prices: Fluctuating export taxes, and/or modified regulations in the source country cause price changes.

4) Delivery time fluctuations: Communication and transportation difficulties, and inaccurate or incomplete documentation cause delays in delivery time.

5) Obsolete merchandise: Occurs due to a passing trend or fashion.

6) Intangible risks: Include unrest, natural disaster, strikes.

(This list is based on information in the "Handbook of International Marketing", by Alexander O. Stanley.)

Risk is a major factor in importing. A person must be rational and cautious to avoid suffering sizable, unnecessary losses.

Importer problems often stem from spur of the moment decisions. Therefore, do your homework and develop solid plans. The risks of importing will be reduced and the potential gains will be great.

ESTABLISH A COMPANY

Successful importers are often established companies. If you are an individual considering importing then it is recommended that you organize yourself as a business entity.

Do you have a formal business plan?

Visit the Business Resource Centre located on the 6th Floor - 155 Carlton Street to find information on setting up a business and review publications available. Brainstorm the possible concerns that you may have with your potential operation and specific products. A handbook entitled: A Place to Start: Exploring New Business Ideas and Opportunities is just one publication in our series that may be of assistance to you.

CHECKLIST Our Management Systems Publications will assist in preparation of business plans plus there are Entrepreneur Handbooks on specific types of business that offer a guideline on start-up.

- What are your goals and objectives?
- Who is your target market?
- What will be the form of ownership (sole proprietorship, partnership, or corporation)?
- What will be the size and scope of the business?
- What goods and services will be involved for input and output?
- What regulations apply?
- Do you have arrangements to keep a set of accounting books?
- What are the marketing and finance strategies?
- Do you have a projected income statement worked out?
- What business name will be effective?

The law requires an importer to register the business name and form of ownership with the provincial government.[1]

What is needed to operate a business?

How you communicate as an importer is very important. Use of telephones, telexes, and facsimile machines will be key to importing. If you do not own the facilities that you need, you can rent or pay a fee to use the facilities at various print shops and other locations.[2]

Business cards are important as tangible identification. They should be professional, clear, and concise and possibly have another appropriate language on the reserve side.[3]

GEARING UP TO IMPORT

You need to establish connections to deal with international financing.[4] Visit banks to compare reputations in international finance, expertise on current market information, government regulations, application assistance, and updated significant financial information.

A Canadian importer needs a Customs Importer Number.[5] An application can be filed at Revenue Canada Customs and Excise. An import permit may be needed if the imports fall under the control of the Export and Import Controls Act. Permits are required for many clothing, textile,and food products.

A manufacturer/wholesaler license may be required depending on the nature of the importing business and size of the operation.[6] Check with Revenue Canada Customs and Excise, 269 Main Street, Winnipeg, Manitoba, R3C 1B3, Phone 983-6393 for current regulations and application of licenses.

The government supports business and employment in Canada. There is no direct assistance for importers but there may be indirect support available. For example, you may receive government assistance if you are creating employment in Manitoba and helping to foster business. There may also be support for businesses that further process materials in Canada in order to export those goods. Contact provincial offices of Western Diversification and federal offices of Industry Science and Technology.

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1 Canadian Importers Association, Import Canada, 1988.
2 Ibid.
3 Ibid.
4 Ibid.
5 Ibid.
6 Ibid.

The Trade Facilitation Office in Ottawa supports imports from developing countries. They can help to locate suppliers. (See Appendix A.)

RESEARCH! RESEARCH! RESEARCH!

There is a high value placed on research because this early stage leads to the opportunities for success. Research involves time, money, and a strong commitment to discovering new questions and finding accurate answers.

Where do you start?

Look for needs that are not being met. Unfilled needs in the marketplace provide opportunities. Double-check potential opportunities and see if they are realistic to pursue. Dealing with an area where you know about new developments and how the market operates will increase your chances for success. Good market research will help to define markets and develop sales forecasts.

Determine **salient attributes** of consumers. Compare these to potential products and combine the findings to arrive at a well defined target.

Places where you can go to collect information on your market and potential customers include Statistics Canada, university and public libraries, International Trade Centres, Centre for International Business Studies at the University of Manitoba.

You can also gather information by talking with those currently involved in importing, government officials, and various importing/exporting association members.

SELECTING YOUR PRODUCT

You have to know what you want to import. Complete and accurate market research will provide a solid basis for choosing your product.

You need to know the product and the industry and be aware of value and quality. An overall aim is to get your product inexpensively and promptly, and to resell or use it quickly.

Choosing a product to import means choosing a product with a comparative advantage over others. Comparative advantages for imports are generally in terms of a lower price and/or unique product design. Importing occurs when products are not available domestically, they can be imported at a lower price, are of better quality, or other specific uniqueness.

Many government programs are geared to assisting export ventures and encouraging import replacement. This means there must be a specific need for the product and an unique advantage. Building loyalty from your customers will be very important before competitors appear. If your importing venture proves successful you can expect swift competition.

SELECTING A SUPPLIER

Trade directories of manufacturing and exporting companies abroad will be useful in the search for a supplier. You need to know which countries you want directories from. The directories list the products and services offered according to general trade categories. Once you have narrowed your search down to the category and product you want, you will find a list of relevant companies and their addresses.

You can contact foreign Embassies and Consulates in Canada to request trade directories and further information on suppliers in those countries of interest. Department of Industry, Science and Technology will provide a Directory of Trade Commissioners Abroad upon request 983-2097.

You may consider travelling abroad in your search for a supplier. However, remember, that importing is not a valid excuse for holiday travel.

Answer the following questions before you travel.

- Is it a good idea to visit abroad?
- What does the visit entail - before, during, and afterwards?
- What cultural considerations are required? e.g. language
- What are the different ways of doing business?
- What other pitfalls and issues are there to consider?

Doing productive business abroad will require preparation beforehand and a serious time commitment while you are meeting with potential exporters and agents. Also allow for extensive follow-up. The purpose of the trip should be clearly defined to find agents and/or suppliers.

An advantage of visiting abroad is the direct contact with your supplier or agent. You can personally see the operation at the other end and begin to build a relationship.

Attending a tradeshow overseas is an excellent opportunity to meet potential suppliers. Contact the government and trade associations to get a list of upcoming tradeshows.

If you do decide that travel is necessary, then set up contacts and meeting well beforehand and leave time for new meetings that may arise. Double-check flights, accommodation, and re-confirm meetings. Work closely with a dependable travel agent and have necessary visas and your passport in order. Collect brochures and exchange business cards.

It is beneficial to know the office hours, holidays, and particularly busy periods during the year. Translators may also be required. Communicating clearly and concisely will be to the importer's benefit.

Check on the country background. Know about local culture and conduct. There are many publications available that give profiles of various countries. A good place to begin is at the Centre for International Business Studies Resource Centre at the University of Manitoba.

The trade offices of foreign countries will have information available to promote their exports to Canada. They often have valuable commercial reference libraries. These consulates will also be able to tell you which products are exported by their country. A publication that contains consulate contacts is put out by External Affairs and International Trade Canada and is called "Diplomatic, Consular, and Other Representatives in Canada". Trade directories and other sources of contacts can also be found at public libraries, university libraries, Chambers of Commerce, and trade associations.

Once you are ready to contact suppliers you can ask for a price list, catalogues, and make arrangements for samples. If the samples are acceptable, you can use them to test your prospects.

Be persistent to negotiate for free samples. Effective communication is key to dealing with suppliers.

If you are dealing abroad by yourself to locate an agent or a direct supplier then you need to be well prepared with excellent background research.

The Supplier

Once a supplier is chosen, a thorough check should follow to ensure that you have found a company with a sound reputation. Trust is very important in the importing relationship. You need to establish loyalty, trust, and prove your integrity with your supplier. As exporters want repeat business promises are generally upheld, but the agreement must be clearly understood. You should visit face to face if this is a feasible option.

Tariffs

When sourcing your supplier you must look at tariff treatment. The general tariff is 35% but reduced rates apply to countries categorized under the **Most Favoured Nation (MFN)** and **General Preferential Tariff (GPT)** classifications. To qualify for reduced rates the goods must be presented with a **Certificate Of Origin**. These documents can be obtained from Chambers of Commerce or International Trade Centres.

Forming an Agreement

Make sure that your agreement is firm and encompasses who is responsible for transportation costs, required packaging (type and amount of packaging), delivery times, storage, insurance, and any minimums required.

CHOOSING AN AGENT

Depending on parties outside of your operation has disadvantages. There may be hassles such as price disputes or paper work not done in time due to delegation of tasks. Deal as directly as possible with the principal parties. Dealing with too many "middlemen" will complicate the situation more and also add to costs. If you have the contacts and expertise to take care of your business independently you may not require an agent.

However, it is wise to use an agent of the country when importing from overseas markets. This will increase your chances of getting a better deal. A local agent knows the domestic culture and business practices and can also find out more about the suppliers.

An effective agent will be able to help you get a better supplier and better prices. A good agent will know the extent of your import interests, inform you of new import opportunities, and keep you updated on the available supply.

It is important to utilize all your resources to secure a good agent since a credible agent will be an important link in your operation. The Trade Commissioners abroad can also be a valuable source of assistance.

You need extensive information on the foreign agent and/or supplier. This information can include: company name, address, phone, telex, fax number, contact name, years of experience, number of employees, product types, others represented, warehousing, and references.

Building trust will be key to maintaining a successful relationship. It is essential to always follow up on promises.

Negotiate the cost involved and clarify this agreement when you are selecting an agent. An agent may charge 7-15% on actual cost.

DISTRIBUTION

Traditions and cultures may predetermine the channels available. For example, in some Asian countries the channels of distribution will be much longer than in Canada due to local tradition.

Essentially, direct importing means more critical responsibility. It also means control over choosing sources and negotiating prices, delivery, and terms of payment.

Freight Forwarding (Shipping)

Once goods are sourced a freight company must be secured to land the goods.

A freight forwarder helps to move goods. The services include estimating freight and insurance, assuring proper packaging, arranging container loading and portions of documentation, and giving shipping advice.

Freight is highly competitive (affected by deregulation) so contacting freight forwarders and comparing a number of different cost quotes on services is advisable. Charges are by the weight, distance, and type of goods being shipped. Although you may be receiving shipment Cost Insurance and Freight (CIF) to a Canadian port you will still have to get the goods from that point to you. A good source of information is in the yellow pages of your phone book. You can also check the B.O.S.S. (Business Opportunities Sourcing System) directory for more detailed information on individual freight forwarders including size, location, and specific services offered. The B.O.S.S. directories can be found at the Business Resource Centre Library, 6th Floor - 155 Carlton Street, Centre for International Business Studies at the University of Manitoba, International Trade Centres and other government offices throughout Canada.

Allowing for delays in international shipping will save some headaches. Shipping time depends on both on the type of commodity imported and the mode of transportation. Air freight is quicker than ocean freight. While air may take three days to a week, ocean transport may take three to six weeks to go through the system.

Air is about three times more expensive than ocean freight. Minimum charges will apply to freight arrangements. Minimum ocean requirements may be three or four times greater than air requirements. Length and weight restrictions also apply to air freight. With ocean freight you can ship your goods in 20 ft. and 40 ft. containers or in crates. Ocean rates are determined by the type of product shipped. The container load will be cheaper if you are able to fill one.

Ocean freight is also comparatively cheaper than land freight so compare alternate route combinations of ocean and land transport. Land freight is a serious cost factor when getting goods from the sea port to Winnipeg, Manitoba or whatever province you reside in.

Railway and road transport can also be contrasted with differing shipment time and costs. Compare the cost quotes. Cost is a factor but it is important to consider the tradeoffs and decide if saving a few dollars is worth the extra hassle that might occur.

Be sure to specify the amount of packaging and the type of packaging for shipping.

Overseas delays can also happen because container loads become full before your goods are considered. Time lags can be up to four weeks. The volume of imports you ship will reflect the amount of influence you have to get delivery on time.

Ask about the additional charges at the export end and delivery charges at the import end.

Receiving a Shipment

Costs involved in receiving a shipment include duty, sales tax, interest on money tied up in a letter of credit (L/C or letter of credit is discussed on page 13), and any other bank, agent, or brokerage charges.

With the first shipment you should be prepared to deal with documentation, tariffs, controls, packaging, labelling, etc.

Customs can inspect, hold, and seize shipments. When the goods arrive Customs holds the goods "in bond" which means until the duty is paid. Randomly inspecting the shipment that you receive may cause unforeseen delays because nothing can be moved or opened until Customs officials arrive. The process of unloading will be more time consuming as a result.

Canada Customs is willing to help with general information but if you require extensive aid, hiring a customs broker is recommended.

Customs Broker

Essentially the customs broker is hired to organize required customs documentation, transportation, and possibly even payment if desired by the importer. The first reason for hiring a custom house broker is to allow the importer time to take care of other aspects of the import business. The more complicated the shipment the better it is to have the support of a customs broker. With a wide variety of goods under various classifications in one shipment there are more changes for mistakes in documentation. Consider the nature of the product because special import controls may apply. The volumes handled and the frequency of shipments may also be determining factors. Assess your specific needs and determine the costs and benefits for hiring out the service.

A customs broker's expertise in bringing goods across the border can prevent errors costing time and money. Errors can occur in a number of oversights in documentation, classification of goods, missing out on opportunities created by new regulations, and mistakes in dealing with current regulations.

Services of a customs broker include:

- liaison with Canada Customs including completion of necessary documentation
- shipping advice and monitoring
- keeping updated with new developments and regulations
- making payments required at Customs

Get a number of different customs broker quotes. Be sure to ask what charges apply to specific services and get advice to decide what services are required for your operation. When a customs broker also serves as a freight forwarder the entry of goods can be timed better. Involvement in brokerage and freight forwarding services means greater responsibility for the company.

A visit to the customs broker happens once supplier sources are located. You may be advised on the benefits of receiving your supply from a specific area. Keep in mind that special tariffs apply to certain countries.

It is wise to build up good relations with your brokerage firm to get the work you want done when you want it done.

Import Controls

Import permits are required depending on whether or not there are controls imposed on the goods brought into Canada under the Export and Import Controls Act. Special controls exist on items such as dairy products, alcohol, tobacco, steel, shoes, apparel, etc. You can check with the Special Trade Relations Bureau in Ottawa for further information. (See Appendix A for address).

A Canadian Customs Invoice (CCI) is required for imports valued over CDN $900. It gives the detailed specifications of the goods. A commercial invoice may also be required. It essentially gives the same specific information. These documents are part of the requirements needed to open a letter of credit (see page 13). A cargo control document (CCD) may also be required by the shipper.

It is important to get the paperwork right especially when time is a critical factor. Timing is particularly crucial with fad items and clothing styles. Waiting periods are expensive as interest charges build up and your stock becomes obsolete.

Special Documentation

Special documentation must be completed to get a **"drawback"**. When duty is paid on material that is further processed in Canada and then subsequently exported for resale, a "drawback" can be claimed. The amount of duty that was originally paid to export the material can be recovered. A **"remission"** also requires special application to Canada Customs. A "remission" is when Customs approves a specific item for a specific company duty free. It takes three to nine months to get approval and the agreement lasts for three years.

As the Canada - United States Free Trade Agreement unfolds, remissions will not be required for many previously dutiable items.

Classification of Goods

The international Harmonized System (H.S.) is being instituted in many countries around the world. By using this standardized number classification for goods, the documents and transfer of goods is streamlined. One of the improvements is that the export identification number is the same as the import identification number under this system.

0000	Heading
0000.00	Subheading
0000.00.00	Tariff item

0000.00.	00.00
International	Canadian
requirements	requirements

(This table is sourced from "Importing Goods into Canada", a publication of Revenue Canada Customs And Excise.)

Labelling

Product labelling must meet Canadian standards. Check with Canadian Consumer and Corporate Affairs, 203 - 260 St. Mary Avenue before importing.

Labelling considerations are monitored by Canadian Consumer and Corporate Affairs. Canada Customs enforces specific marking regulations regarding the "Made in..." requirements.

Textiles

Labelling requirements:

- country of origin (where tariff applies)
- fibre content (man made or natural)
- dealer identification (who exactly made, packaged, and exported it). This includes an attached tag embossed on the article. A "CA number" may be used instead which eliminates the need for a specific address and place. It costs $100 to register with the department of Canadian Consumer and Corporate Affairs and is optional. The registrant is assigned a five digit number.

Care labelling recommends the steps for proper care of the product and is optional.

Non-Foods

An example is a packaged screwdriver. These are items that are neither textiles, precious metal, or food.

Labelling requirements (once packaged):

- country of origin
- what the product is if it is not visible using the common name
- name and address of the importing distributor or "responsible party"

Precious Metals

These are goods containing precious metals like gold, silver, etc.

Labelling requirements:

Liability is important here.

- statement of quality e.g. ring is 14kt gold
- trademark identification of the "responsible party" for the product. This determines the whole liability mechanism.

Food

Liability is important here.

Labelling requirements:

- common name of product e.g. canned peaches
- net quantity e.g. bananas by the kilogram
- list of ingredients
- name and address of the responsible party
- storage instructions
- indicate "best before date"
- bilingualism is required but may be granted special test market exemption status if approved

Canadian Consumer and Corporate Affairs also checks the claims made of the products. The typical complaints are due to the importers' mistakes. For example, if no bilingual labelling is present then the importer is responsible for the resulting costs. Labelling costs are usually taken care of by the supplier but this must be stipulated in the agreement. The regulations must be made known to the supplier.

Other Laws and Regulations

The following documents are available for the importer and should be reviewed.

"Export and Import Permits Act"
"Anti-Dumping Act"
"Textile Labelling Act"
"Importing Goods in to Canada"
"Guide to Canada Customs"
"Special Import Measures Act"
"Guide to the Consumer Packaging and Labelling Act and Regulations"

These publications are available at Customs and Excise and Consumer and Corporate Affairs. These are important offices to visit as part of the background research to importing. (See Appendix A).

Warehousing

Warehousing can save paying duty up front. You can make an arrangement where you pay duty on the goods as they are drawn out of storage. Of course, you must consider the warehousing charges that will be incurred. Freight forwarders will offer warehousing directly or be able to arrange warehouse storage.

DETERMINING A SELLING PRICE

There are many factors in determining your selling price. An initial question is: is the purchase price based on **Free on Board (FOB)** or **Cost Insurance and Freight (CIF)**? If FOB is used you need to know additional costs not included in a CIF price. The final price will depend on insurance, packaging, agent fees, financing charges, labelling cost, currency exchange considerations, various shipping costs up until final arrival to the importer.

In addition you have to decide on a pricing strategy. What is best suited to your product in the marketplace? Should you undertake premium pricing or discount pricing? What is the potential competition affecting your pricing decision?

Request detailed price quotes from prospective suppliers. Double-check the dates when the price quotes are in effect.

Duty

It is wise to check all tariff or duty rates before ordering any goods because they may have a large impact on final price. Tariffs may be applied according to the product itself or specifically to the materials that make up the product. For example, in the case of t-shirts, the same duty rate is charged as that of the duty rate of the fabric. Specialized packaging may also be assessed additional duty payable beyond the assessment of the actual goods.

Specific detailed information is required to complete documentation and to put a value on the goods. The complete description should be accompanied by additional illustrations and include samples. The use of the goods and domestic destination must also be indicated.

Duty assessment is based on:

- the value of the goods e.g. 35% duty applied to the landed cost
- the quantity of the goods e.g. $1.30 per kilogram

Import Quotas

Additional amounts imported beyond a specified quota may either be prohibited or charged an additional amount of duty. This depends on the specific nature of restrictions that apply to a given import. The regulations applying to imports must be researched prior to importing. (See Appendix B for names of contacts).

Taxes

Provincial sales tax will be applied to the sale of the items. The Goods and Services Tax (GST) of 7% replaces the Federal Sales Tax (FST) of 13.5% and will also be applied to various goods that did not previously have Federal Sales Tax applied. Excise charges may also apply to the goods. This will affect the price of the product and your profit margin.

FINANCING

You will be dealing closely with the International Centre of a bank. It is important to compare charges and services offered.

Since suppliers often demand payment upfront you should be prepared for these negotiations.

Letter of Credit (L/C)

A letter of credit is a legal document for arranging payment between and importer and exporter. It acts as security to both parties. It gives the exporter confidence that the importer is able to pay. The importer is assured that payment is made to the exporter only after the terms of the letter of credit are met.

Once payment is agreed to by a letter of credit (documentary or import credit), and the application is accepted, the importer instructs the bank to transfer the payment to the exporter. The importer's bank passes on this information to the exporter's bank. The exporter's bank then notifies the exporter that the payment has been arranged. The exporter sends the goods out and presents the invoices and shipping documents to the bank to receive payment. There is no risk for the exporter in receiving payment as long as the terms of the agreement are followed. The importer's advantages to a letter of credit are, 1) payment only after the requirements are met by the exporter, 2) the documents are reviewed by experts, 3) the importer's ability to pay is assured to the exporter, and as a result, better price and payment terms are offered.

A letter of credit may be arranged for: 30, 60, 90, 180 days. The charges may be more than the importer expects so check on the interest and service fees that will be charged by your bank.

It is important to know the extent of services that are required. Interest charges vary for different L/C durations. A commission charge of 0.125% or 0.25% or more may apply depending on the amount of the letter of credit. Note that minimum charges will apply. One financial institution had a $50 minimum. Since $50 is 0.25% of $20,000 a large sum is required to realize any discounts on this interest rate. A letter of credit is relatively expensive for a smaller operation but it may also be the only acceptable way to initiate the trade relationship.

The bank deals only with the documents in a letter of credit and is never responsible for the goods. If the documents look in order, they are approved and payment is transferred. It is the importer's responsibility to find out about the goods shipment.

A letter of credit is a firm commitment. Once the importer opens a letter of credit he is out of the picture with no control because the process becomes automatic.

A letter of credit eliminates the risk of the supplier. There are usually no controls over quality so you must know your supplier well. The importer can try to negotiate into the agreement the allowance of six days for inspection of the goods. With this flexibility the goods can be returned or a discount can be requested. It is good for the importer to include stipulations that the goods must pass any necessary government inspections and regulations. If the importer needs 60 days to sell the goods he must be upfront and negotiate this with the exporter. Interest charges would likely be applied by the exporter.

Alternatives to the Letter of Credit

Collection Basis: This is a middleground arrangement where the role of the bank is similar to that of the post office. The main advantage is that the importer has some control. The importer instructs the bank to either release or to pay for the goods so the process is not automatic. There is a minimum arrangement and durations include 30, 45, 60, 90 days. The buyer and seller will know each other well.

Open Account: This can only happen when an established trusting relationship exists. The invoice is sent directly to the importer who pays the amount owing.

Placing an Order

Make use of telex, facsimile, or written correspondence to get price quotes. A quote should specify details of:

- quantity and description of product
- price per unit
- packaging cost
- freight cost

- insurance
- CIF price and destination
- FOB price and port of export
- payment terms
- responsibility for additional fees and charges
- effective time frame of the price quote

(This list is based on information in "International Marketing - Making Exports Pay Off" by Erik Wiklund.)

Ask for specific prices each time to confirm the net price, estimate shipping costs, and to open a L/C in the right amount. You need to agree on minimums of the order size and quality of the goods.

IMPORTING ADVICE FROM EXPERTS

Noting Common Mistakes...

- It is important to avoid mistakes in the documentation because these can create costly delays to the importer.
- Importers commonly make wrong assumptions regarding the supplier so it is advisable to get all concerns out in the open.
- Be very specific in your order. Since the language barrier can cause misinterpretation of important information you want to be clear and concise.

Other Advice...

- Be specific in completing forms (e.g. the Canadian Customs Invoice description of the goods must be precise), forming agreements, and instructing shippers (when that is the importer's responsibility). The agreement must be clearly laid out and clearly understood.
- The insurance policy has to be dated before the bill of lading.
- Have the L/C and the insurance policy in the same currency.

- If the agreement is in foreign currency then it is advisable to hedge against any fluctuations in the currency rate.

- Find a contact that you can trust.

- Trial and error will be part of the learning process.

Experts Caution

- With a successful new idea comes swift competition. Importing is a tough business. It is advisable to start small. You will need to have a good cash flow.

- There are many hidden factors that are unavoidable. People may quit on you. Risk is inherent to importing.

- Importing does not mean quick money. The best way is to start small and have another source of income. You are investing a lot of time and money in the beginning stages. Beware that it may be six months or more before any return is realized.

IN CONCLUSION

It is important to gather information not only when you begin importing but also as you continue with the endeavour. Your success will depend on how eager you are to make contacts and how much you learn about importing and the industry that you will be operating in. This publication is your first step to understanding the intricacies of the importing venture.

Talking to other importers can also be very helpful to gain advice, get referrals, and make new contacts. Contacts can be made by consulting government trade offices, attending trade association meetings, trade seminars, tradeshows, and checking the phone book.

To tap valuable sources of information, keep updated on import and other trade seminars that are offered by government, customs brokers, trade associations, and the Chamber of Commerce.

A last word of advice is to keep your importing operation as simple as possible. It will be a "hit and miss" reality. With the high levels of risk involved you will not want to put all your assets into the venture. Know your limitations and stay within your means. Good luck!

APPENDIX A

ADDITIONAL SOURCES OF INFORMATION

FEDERAL

Canadian Consumer and Corporate Affairs

Canadian Consumer and Corporate Affairs monitors labelling and packaging requirements.

203 - 260 St. Mary Avenue
Winnipeg, Manitoba
R3C 0M6
(204) 983-3227

Industry, Science and Technology Canada (ISTC) and International Trade Centres (ITC)

The ISTC and ITC can help to source suppliers and provide information on markets. Trade Commissioners are available for assistance in exporting/importing endeavours.

8th Floor - 330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
(204) 983-2097

Revenue Canada Customs and Excise

Revenue Canada Customs and Excise is involved in the process of goods crossing the Canadian border. A tariff or duty may be applied to the goods by Revenue Canada Customs and Excise according to what they are made of and where they originate from.

269 Main Street
Winnipeg, Manitoba
R3C 1B3
(204) 983-6393

Special Trade Relations Bureau
Department of External Affairs and International Trade Canada

The Special Trade Relations Bureau deals with trade restrictions and controls. They can be contacted for any required permits or information on applicable quotas in various product categories.

Import Controls Division II (ESD)
P.O. Box 481
Station A
Ottawa, ON
K1N 9K6
(613) 996-0640

Import Controls Division
269 Main Street
Winnipeg, Manitoba
R3C 1B3
(204) 983-6393

APPENDIX A - ADDITIONAL SOURCES OF INFORMATION

Trade Facilitation Office Canada

The Trade Facilitation Office (TFO) supports and promotes trade from developing countries. The TFO can help to find sources of supply once an importer has researched and chosen a product.

Trade Facilitation Office Canada
Suite 1012
400 Cumberland Street
Ottawa, ON
K1N 8X3
(613) 233-3925 or 1-800-267-9674

PROVINCIAL

Business Resource Centres

The Business Resource Centre offers literature on business start-up and importing.

6th Floor - 155 Carlton
Winnipeg, Manitoba
R3C 3H8
(204) 945-7738

Western Regional Office
P.O. Box 1300
231 - 10th Street
Brandon, Manitoba
R7A 6N1
(204) 726-6250

Toll free in Manitoba 1-800-282-8069

OTHER

Canadian Importers Association

The Canadian Importers Association is a national private non-profit organization that supports and promotes membership importing activities.

210 Dundas Street West
Suite 700
Toronto, ON
M5G 2E8
(416) 595-5333

Consulates in Canada

Write to the Consulates in Canada or abroad for information on your product. The library will have the addresses or you can ask a Trade Commissioner at the nearest International Trade Centre.

APPENDIX A - ADDITIONAL SOURCES OF INFORMATION

Federal Business Development Bank (FBDB)

The FBDB is a Crown Corporation that assists small and medium-sized businesses with financing, counselling and information services.

11th Floor - 155 Carlton
Winnipeg, Manitoba
R3C 3H8
(204) 983-7900

Libraries

University and public libraries are a great source of information and where many directories may be found.

Saskatchewan Chamber of Commerce

The Chamber of Commerce compiles a trade information section in their "Business Review" magazine. It includes a list of opportunities for importers. There are also trade directories from various countries looking for interested importers in their library.

Winnipeg Chamber of Commerce
5th Floor - 167 Lombard
Winnipeg, Manitoba
R3B 3E5
(204) 944-8484

Manitoba Chamber of Commerce
7th Floor - 167 Lombard
Winnipeg, Manitoba
R3B 3E5
(204) 942-2561

Note: **Local Chambers of Commerce and Boards of Trade may offer specific support, advice, and referral to importers.**

APPENDIX B

SPECIAL TRADE RELATIONS BUREAU (ESD)

IMPORT CONTROLS DIVISION I (ESI)

General Enquiries - Textiles & Clothing	(613) 996-3711
Caplan, Michael - Department Director	(613) 995-8358
Chestnut, Gordon	(613) 996-0642
Americas: Brazil, Uruguay, Hong Kong	
Findlay, Keltie	(613) 996-4182
E. Asia: North Korea, Vietnam, Macau, Korea	
Guard, Wendy	(613) 996-4224
Africa/W. Asia: Mauritius, Turkey, China	
Lachaine, Laura	(613) 996-5811
S. Asia: Pakistan, Bangladesh, Sri Lanka, Maldives, India	
MacNeill, Helen	(613) 996-5904
Europe: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Taiwan	
Wheeler, Laurie	(613) 995-8361
Asean: Philippines, Indonesia, Thailand, Malaysia, Singapore	

IMPORT CONTROLS DIVISION II (ESF)

Bertrand, Richard	(613) 996-2594
(Cheese)	
Conlon, Eric	(613) 996-2585
(Cheese, Coffee, Steel, South Africa)	
Davidson, Jim	(613) 996-2576
(Chicken, Eggs, Turkey)	
Delaney, Kate	(613) 996-2591
(Oats & Barley, Endangered Species, Footwear)	
Escander, Sue	(613) 995-8104
(Footwear, Oats & Barley)	
Paré, Bernard	(613) 995-8108
(Footwear, Steel, Sugar)	
Virr, Michael	(613) 996-2592
(Coffee, Steel, South Africa)	
Wassink, Ben	(613) 995-7766
(Chicken, Eggs, Turkey)	

EXPORT CONTROLS DIVISION (ESE)

Brannen, Betty - International Import Certificates	(613) 996-0246

DATA PROCESSING DIVISION (ESC)

Simard, Gérard - Director	(613) 996-0273
Beckles, Esther - Violations	(613) 995-4023
Landry, Yvon - Administrative Officer	(613) 996-4143
Seigel, Pat - Permit Auditing	(613) 996-3126
Iraynor, Ian - Company File Number	(613) 996-8931

EDP SYSTEM

Essiambre, Jacques - Project Manager	(613) 996-7103
Connolly, Colette - Data Entry	(613) 996-4730
Marcoux, André - Data Controls	(613) 996-0277

Source: External Affairs and International Trade Canada
September 15, 1987

GLOSSARY OF TERMS

bill of lading	Contract between carrier and owner of goods indicating ownership
Certificate of Origin	Gives sufficient information of where the product was manufactured
Cost Insurance and Freight (CIF)	Indicates the cost, insurance, and freight are the exporter's responsibility to an agreed delivery point (usually the importer's port of import) and are included in the exporter's price
drawback	When exported goods contain imported materials there may be a claim for the amount of duty paid to import the material
dumping	Occurs when an exported charges a price below the fair value of the export in its originating market
excise	Tax applied to luxury items
Free on Board (FOB)	Indicates that cost, insurance, and freignt are the importer's responsibility from an agreed pick up point (usually the exporter's port of export) and are not included in the exporter's price
General Preferential Tariff (GPT)	Special reduced tariffs applied to goods from Least Developed Developing Countries. There are 114 countries and territories that receive this reduced tariff treatment including Brazil, Mexico, Jamaica, etc.
hedging foreign currency	Agreeing on a set exchange rate for a given period of time in the future. The party that guarantees the exchange rate takes all the risk associated with a rise or fall in the exchange rate when the specified period occurs
Most Favored Nation (MFN)	Specific countries that receive special status of reduced tariff rates

GLOSSARY OF TERMS (Continued)

remission	When a company obtains special approval to import specific materials duty free over a specified period
salient attributes	The features of a product/service that are considered to be the most important

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